

Message Text

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14

ACTION AID-59

INFO OCT-01 AF-10 ISO-00 EB-11 COME-00 TRSE-00 OMB-01

XMB-07 IGA-02 CIAE-00 INR-10 NSAE-00 RSC-01 L-03

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 5478

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JOINT EMBASSY/USAID MESSAGE

E.O. 11652: N/A

TAGS: EFIN, CG

SUBJECT: POTENTIAL SALES LOCOMOTIVES TO ZAIRE

1. SENIOR CONSULTANT ONATRA HAS APPROACHED EMBASSY SEEKING INTERIM FINANCING FOR PURCHASE OF 10 LOCOMOTIVES VALUED AT ABOUT \$4.75 MILLION FOR DELIVERY IN 1974. OFFICIAL NOTED IBRD HAS AGREED IN PRINCIPLE TO FINANCE A \$60 MILLION RAIL, RIVER AND PORT PROGRAM OVER NEXT FOUR YEARS, BUT IN CONSULTANT'S OPINION LOAN DISBURSEMENT PROBABLY WOULD NOT BEGIN BEFORE 1975. ACCORDING TO THE CONSULTANT, GOZ HAS TO MOVE AHEAD WITH PURCHASE OF LOCOMOTIVES SOONEST BECAUSE OBSOLESCEMENT EXISTING BELGIAN ROLLING STOCK AND CURRENT AND PROJECTED TRAFFIC INCREASES DEMAND IMMEDIATE PROCUREMENT SUCH ITEMS. HE CLAIMS US COMPANY (GE) COULD DELIVER IN 1974 SIX LINE AND FOUR SHUNTER LOCOMOTIVES.

2. WITH IBRD'S APPROVAL, GOZ REQUESTED IN AUGUST INTERNATIONAL BIDS FOR 21 LOCOMOTIVES AND HAS NOW COMPLETED TECHNICAL ANALYSIS WHICH INDICATES GENERAL ELECTRIC IS LEADING CONTENDER. GE, ONLY US BIDDER, ALSO

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OFFERED LOWEST UNIT PRICE. ACCORDING TO GOZ OFFICIAL,

HOWEVER, FROM FINANCIAL VIEWPOINT, LOAN TERMS BEING OFFERED BY CANADIANS, GERMANS AND OTHER COMPETITORS MAY BE SUFFICIENTLY COMPELLING TO WARRANT PROCUREMENT FROM NON-US SOURCES. CONSULTANT ALSO INFORMS THAT ONATRA HAS FIRM COMMITMENT FOR EXIMBANK TO FINANCE LOCOMOTIVES BUT THAT CURRENT EXIMBANK TERMS NOT COMPETITIVE WITH CONCESSIONARY TERMS OFFERED BY EUROPEANS AND JAPANESE. HE ALSO POINTED OUT THAT GOZ FINANCE OFFICIALS AND GOVERNMENT POLICY REQUIRE RAPID DISCONTINUATION ACCEPTANCE SUPPLIERS CREDITS IN FAVOR LONGTERM BILATERAL AID FINANCING. HE CLAIMED ZAIRE CENTRAL BANK MIGHT BE WILLING TO CONSIDER EXIMBANK LOAN FOR US LOCOMOTIVES AT CURRENT INTEREST RATES IF MATURITY TERMS WERE 20 YEARS WITH 10 YEARS GRACE PERIOD.

3. ONATRA CONSULTANT ALSO INQUIRED ABOUT THE POSSIBILITY OF USING THE REMAINING PORTION OF THE AID TRANSPORTATION LOAN POOL OF APPROXIMATELY \$1.5 MILLION FOR THE PURCHASE OF SOME LOCOMOTIVES.

4. COUNTRY TEAM CONCERNED THAT UNLESS COMPETITIVE FINANCING MADE AVAILABLE FROM US, WE ARE LIKELY TO LOSE SUBSTANTIAL SALES WORTH MINIMUM \$10 MILLION OVER NEXT THREE YEARS PLUS FOLLOW ON SALES FOR LOCOMOTIVE SPARES ESTIMATED AT 10 PERCENT PER ANNUM OF ORIGINAL ACQUISITION COST. IF US COULD GET IN ON GROUND FLOOR NOW WITH A RELATIVELY SMALL EXIMBANK INVESTMENT OF APPROXIMATELY \$4 MILLION, WE WOULD INSURE FOLLOW ON SALES IN ADDITION TO IBRD FINANCED PURCHASES. WITH INITIAL PURCHASE 10 LOCOMOTIVES FROM US, ALL SUBSEQUENT PURCHASES SUCH EQUIPMENT WOULD BE MADE IN US FOR PURPOSES OF STANDARDIZATION. WE UNDERSTAND IBRD WOULD FINANCE MINIMUM 11 ADDITIONAL LOCOMOTIVES WITH DELIVERIES PROJECTED THROUGH 1978. ALSO, RAILROAD EXPANSION PLANS BEING DEVELOPED WOULD REQUIRE ADDITIONAL PURCHASES ROLLING STOCK AND RELATED EQUIPMENT IN PERIOD 1978-85.

5. IF EXIMBANK CANNOT INCREASE MATURITY TERMS TO LIMITED OFFICIAL USE

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GOZ TO FINANCE LOCOMOTIVES, WE URGE THAT CONSIDERATION BE GIVEN TO MAKING LOCOMOTIVES ELIGIBLE ITEM UNDER AID LOAN 011 IN ACCORD WITH GOZ LATEST STATEMENT OF PRIORITY. SITUATION REPRESENTS EXCELLENT TRADE OPPORTUNITY WHICH SHOULD NOT BE MISSED.

EXEMPT.
VANCE

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Message Attributes

Automatic Decaptioning: X
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Disposition Date: 28 MAY 2004
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